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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN

Arizona Corporation Commission

DOCKETED

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JIM IRVIN
COMMISSIONER

JAN 23 2002

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COMMISSIONER

DOCKETED BY

ARIZONA CORPORATION COMMISSION
SECRET CONTROLIN THE MATTER OF THE NOTICE OF
PROPOSED AMENDMENTS TO THE
ARIZONA UNIVERSAL SERVICE FUND.

Docket No. RT 00000H-97-0137

RUCO'S RESPONSE TO OTHER PARTIES' COMMENTS

Pursuant to the Utilities Division's letter of December 24, 2001, RUCO provides these comments and responses to other parties' comments and recommendations regarding Article 12 of the Arizona Administrative Code – Arizona Universal Service Fund Rules.

General Comment

As discussed in RUCO's comments filed in this docket on November 2, 2001, it is premature to take a position on some of the issues raised in this docket without having pertinent data and facts upon which to base a position. A number of the parties to this docket have, however, taken a position on these issues. To the extent that RUCO was unable to take a position on these issues in its November 2, 2001 filing, it likewise is now unable to respond to some of the parties positions on those issues, because the necessary economic, demographic, fiscal, political, public opinion, and cost/benefit data necessary to establish a responsible prudent position has not been compiled and analyzed at this juncture. Specifically, the issue regarding AUSF subsidies for line extensions, AUSF subsidies for unserved and underserved areas, and the adoption of other states' USF rules require the above referenced hard data in order to render a responsible position. Accordingly, RUCO is unable to respond at this time to other parties' comments on these issues absent the pertinent data.

Areas of Agreement Between Parties

The parties' November 2, 2201 comments indicated several areas of agreement or general consensus. The majority of the parties did not support a revision to Article 12 that would grant AUSF eligibility to carriers that did not have Eligible Telecommunication Carrier status. Likewise, the majority of the parties opposed the broadening or modification of the definition of Local Exchange Service as set forth in Article 12. The majority also took the position that no rule changes should be considered that were discriminatory or technologically biased (i.e. wire line verses wireless). In consideration of the general consensus on these issues they will not be discussed here.

Areas of RUCO Disagreement

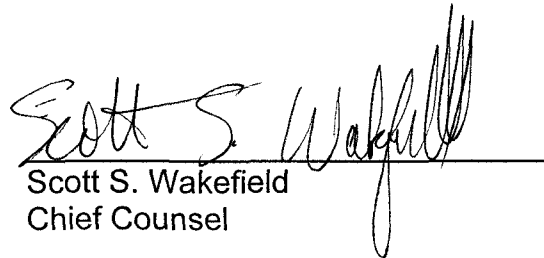
A number of the parties have taken the position that the problem of unserved and underserved areas should not be solved by the ACC assigning a particular carrier to provide service to that area. The parties, in general, advocate a voluntary process based on bids and AUSF incentives for provision of service to these areas. RUCO agrees that the Commission can initially approach the unserved and underserved areas through a bid process, however, if that process fails to secure a carrier for the unserved and underserved areas, the Commission *must* designate a carrier to provide service. Pursuant to 47 U.S.C. § 214(e)(3), State commissions are *required* to designate a carrier to serve unserved areas in which a customer has requested service.¹ Thus, RUCO believes the parties' position that provision of service to unserved areas be voluntary only, is not an option.

Many of the parties express the opinion that R14-2-1204 should be revised so that carriers are *not* required to file a rate case application to request AUSF support. RUCO emphatically disagrees with this position. When the ACC grants AUSF support to a given carrier, it has the result of raising the rate of every telephone user in the State of Arizona, not

¹ However, the Commission's obligation to designate a carrier for unserved areas does require it to authorize AUSF support.

1 just the rates of that individual carrier. Because of the widespread impact a AUSF
2 authorization has on the entire population of the State, RUCO does not believe that approval
3 should be granted based on a lesser standard than is required when an individual carrier
4 requests a rate increase (i.e. a rate case must be filed). RUCO does not support modification
5 to the AUSF rules that would allow widespread rate hikes in the absence of the scrutiny of the
6 rate case process.

7 RESPECTFULLY SUBMITTED this 23rd day of January, 2002.

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